



THE CITY OF SAN DIEGO
REPORT TO THE CITY COUNCIL

DATE ISSUED: January 25, 2008

REPORT NO:

ATTENTION: Council President and City Council

SUBJECT: Business Process Reengineering (BPR) Status Update

REFERENCE:

REQUESTED ACTION:

This report provides an update on the BPR program and its role in the managed competition process. No action is required.

STAFF RECOMMENDATION

Staff recommends that the Committee on Budget and Finance receive quarterly updates on the program activities relating to the City's reform initiatives, including BPR and managed competition.

SUMMARY

Business process reengineering (BPR) is the tool that is used to evaluate processes to identify methods to improve their efficiency and effectiveness. BPR, while only one of the many types of improvement initiatives that are underway to improve the City's ability to deliver services in a cost efficient manner, serves as the foundational work that will prepare the City of San Diego (City) for managed competition. BPR serves as a precursor to managed competition by allowing the City's employees to innovate and streamline, assisting them in preparing to deliver winning proposals if functions are to proceed to competition. This BPR/managed competition reform effort, as a means to deliver quality services to residents in the most efficient and economical way possible for years to come, has already resulted in the elimination of 393 full time equivalents (FTEs) from the budget, saving the City in excess of \$32 million in personnel expenses on an annual basis in addition to approximately \$11 million of non-personnel expenses annually.

A BPR study is initiated with a charter, which outlines the expectations for the study. It is completed when study recommendations are in final draft form and are accepted by the Mayor and his executive team. In advance of any BPR recommendations being implemented, they are Met & Conferred upon (if required) and they receive Council approval through a docketed review. As some BPR recommendations are expected to become key components of an employee bid if the associated functions proceed to

managed competition, the BPR recommendations that are deemed to have a potential negative impact on competitive employee bids are temporarily withheld from review and approval. Within one year, either the functions associated with these BPR recommendations will move forward to competition or the recommendations will be brought forward for Council review and approval.

Background

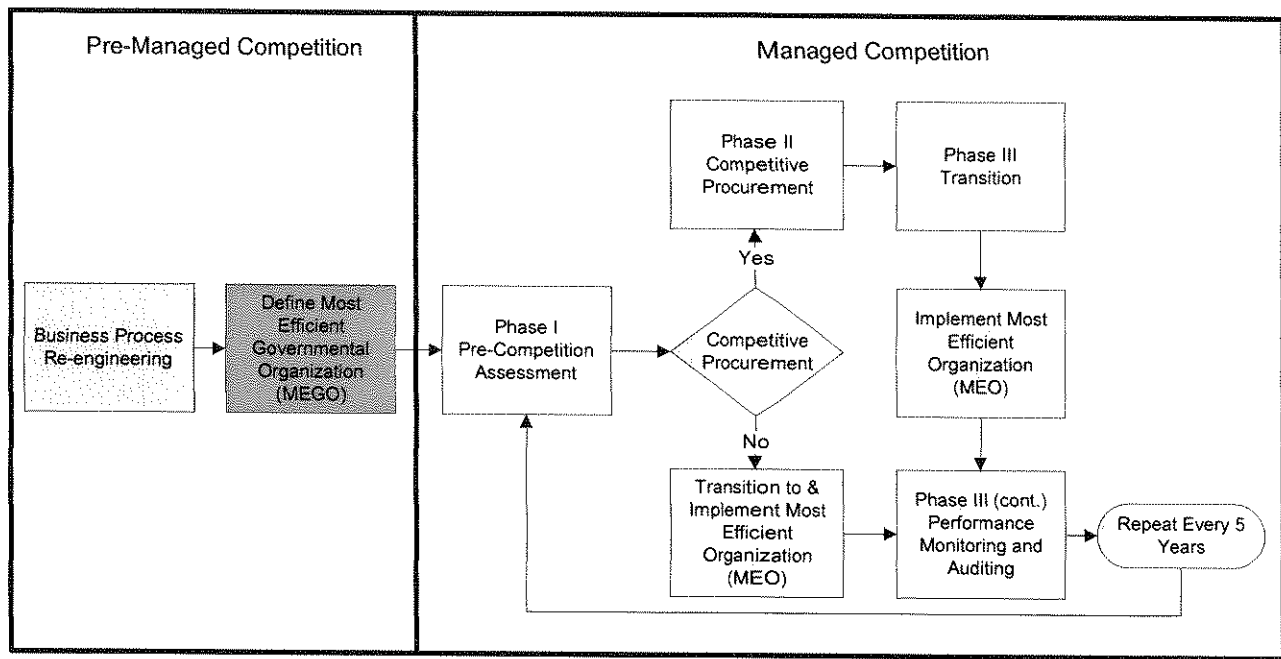
The City of San Diego is committed to delivering quality services to taxpayers, residents, and visitors in the most efficient and economical means possible. One way that this commitment can also be expressed as delivering services through “competitive government,” defined as government with processes in place to validate that service quality and costs are comparable to those offered by any legitimate available provider.

BPR assists the City in becoming innovative and improving efficiency and effectiveness in service delivery. Managed competition provides a structured, transparent process that allows an open and fair comparison of public sector employees and independent contractors in their ability to deliver services to our citizens. Said another way, BPR assists the City in becoming the most efficient government organization (MEGO) that it can while managed competition provides a method to test whether the City’s most efficient organization is the absolute most efficient organization (MEO) or whether for any of a variety of reasons, the private sector is able to be more efficient in service delivery than the City. Therefore, the BPR study results in the MEGO. A managed competition effort results in an MEO. As the strategy of moving from BPR through to managed competition recognizes the high quality and potential of public sector employees and seeks to tap their creativity, experience and resourcefulness by giving them the opportunity to structure organizations and processes in ways similar to best practices in competitive businesses, there is certainly a hope and expectation that the MEGO will be deemed to be the MEO in many cases. (Inherently governmental¹ functions will not proceed beyond the MEGO—or BPR—stage of this process as by virtue of being inherently governmental, the most efficient government state is the most efficient state. These functions will not be considered for competitive procurement.)

Business Process Reengineering Overview

Initiating and completing BPR studies is valuable independently and is a critical first step to managed competition. BPR enables management and personnel to evaluate current ways of doing business and costs of providing services, to identify and eliminate non-value added work, and to identify opportunities to improve efficiency and effectiveness. With the foundation of BPR, the City is able to review functions’ appropriateness for managed competition in their most efficient governmental state by defining their most efficient government organization. As such, City employees are provided an opportunity to define methods for improving efficiency and effectiveness before a decision to compete a function is even considered. This process is shown in the following figure.

¹ Inherently governmental services are those so intimately related to the public interest as to require performance by government employees. The City of San Diego has included those services that must be performed by police officers, firefighters and lifeguards in this definition.



BPR Guide

The BPR Guide documents the process that is used in order to conduct a BPR study. It is a living document that is updated to reflect lessons learned through program execution. As a result of questions received at the meeting of the Committee on Budget and Finance on January 16, 2008, the Guide will be updated to clarify language about the interaction between the BPR and managed competition processes.

Progress to Date

Significant progress has been made at every stage of the BPR process. As a result of our reform efforts, the Fiscal Year 2008 budget had 393 fewer positions, resulting in an annual savings of personnel expenditures of approximately \$32 million. In addition, these reform efforts have resulted in an annual savings in non-personnel expenditures (NPE) of approximately \$11 million. This progress is laid out in the tables that follow.

BPR Studies Underway and/or Planned to Commence in the Near Future

The following BPR studies are underway or are about to commence. Their anticipated completion dates are noted.

BPR STUDY	STATUS
Custodial Services	<ul style="list-style-type: none"> Study is expected to be completed in February 2008 Pre-competition assessment will commence at study completion
Development Services	<ul style="list-style-type: none"> Study is complete Report is being finalized Expect pre-competition assessment and Meet & Confer on MEGO to commence in March 2008
Facilities Maintenance	<ul style="list-style-type: none"> Study is being updated to reflect synergies with Park Maintenance BPR study Study expected to be completed in March/April 2008, with pre-competition assessment and Meet & Confer on MEGO commencing at that time
Fire-Rescue	<ul style="list-style-type: none"> Study is complete

	<ul style="list-style-type: none"> ▪ Report is being finalized ▪ Meet & Confer is expected to be completed in February 2008 at which point the report will be docketed for Council review and approval
Grants & Gifts	<ul style="list-style-type: none"> ▪ Study is complete ▪ Report is being finalized ▪ No Meet & Confer is expected to be required ▪ Expect to commence pre-competition assessment in February 2008 and to docket for Council review and approval in late February or early March 2008
Homeland Security	<ul style="list-style-type: none"> ▪ Study is complete ▪ Report is being finalized ▪ No Meet & Confer is expected to be required ▪ Expect to commence pre-competition assessment in March 2008 and to docket for Council review and approval in late March or early April 2008
Libraries	<ul style="list-style-type: none"> ▪ Study is complete ▪ Report is being finalized ▪ Expect to begin pre-competition assessment and Meet & Confer on MEGO in March 2008
Park Maintenance	<ul style="list-style-type: none"> ▪ Study is complete ▪ Report is being finalized ▪ Expect to begin pre-competition assessment and Meet & Confer on MEGO in February/March 2008
Police	<ul style="list-style-type: none"> ▪ Study is complete ▪ Report is being finalized ▪ No Meet & Confer is expected to be required ▪ Expect to docket for Council review and approval in March 2008
Position Classification Study	<ul style="list-style-type: none"> ▪ Study is expected to be completed in February 2008 ▪ Expect to begin pre-competition assessment and Meet & Confer on MEGO in March 2008
Records Management	<ul style="list-style-type: none"> ▪ Study is complete ▪ Needs assessment to inform implementation is underway ▪ Expect to begin Meet & Confer on MEGO in April 2008
Reservoir Recreation	<ul style="list-style-type: none"> ▪ Study is complete ▪ Report is being finalized ▪ Expect to begin pre-competition assessment and Meet & Confer on MEGO in February 2008
Stormwater Management	<ul style="list-style-type: none"> ▪ Study is underway ▪ Study expected to be completed in April 2008, with pre-competition assessment and Meet & Confer on MEGO commencing at that time
Water Department Management	<ul style="list-style-type: none"> ▪ Study is complete ▪ Report is being finalized ▪ No Meet & Confer is expected to be required ▪ Expect to docket for Council review and approval in February 2008

BPR Studies Completed and in Pre-competition Assessment

The following BPR studies have been completed, with pre-competition assessments having been initiated in advance of a decision on or request for approval to implement the BPR.

BPR STUDY	STATUS AND MAJOR ISSUES
Environmental Services: Collections	<ul style="list-style-type: none"> ▪ Study completed ▪ Pre-competition assessment underway
Publishing Services	<ul style="list-style-type: none"> ▪ Study completed ▪ Meet & Confer completed for vacancies June 2007; Council approved vacancy reduction along with the FY 2008 budget

	<ul style="list-style-type: none"> Pre-competition assessments underway Meet & Confer on MEGO commencing February 2008
Streets	<ul style="list-style-type: none"> Study completed Meet & Confer completed for vacancies June 2007; Council approved vacancy reduction along with the FY 2008 budget Pre-competition assessments underway Meet & Confer on MEGO commencing February 2008

BPR Studies Approved by Council and Currently being Implemented

Each of the BPR studies that has been completed and approved by Council is in a different stage of implementation. Some are nearly through implementation while others, approved by Council as late as July 31, 2007, are still in the midst of implementation.

BPR STUDY	STATUS
Contracts	Council approved October 9, 2006
Engineering & Capital Projects	Council approved July 31, 2007 <i>Please note:</i> Council will need to approve final impacts to the Appropriations Ordinance. This is expected to happen with the FY 2009 budget
Environmental Services (excepting Collections)	Council approved February 6, 2007
Fleet Maintenance	Council approved May 21, 2007
Human Resources	Council approved October 17, 2006
Information Technology	Council approved October 17, 2006
Lifeguarding	Council approved July 31, 2007
MWWD	Council approved May 21, 2007

Future of BPR Studies

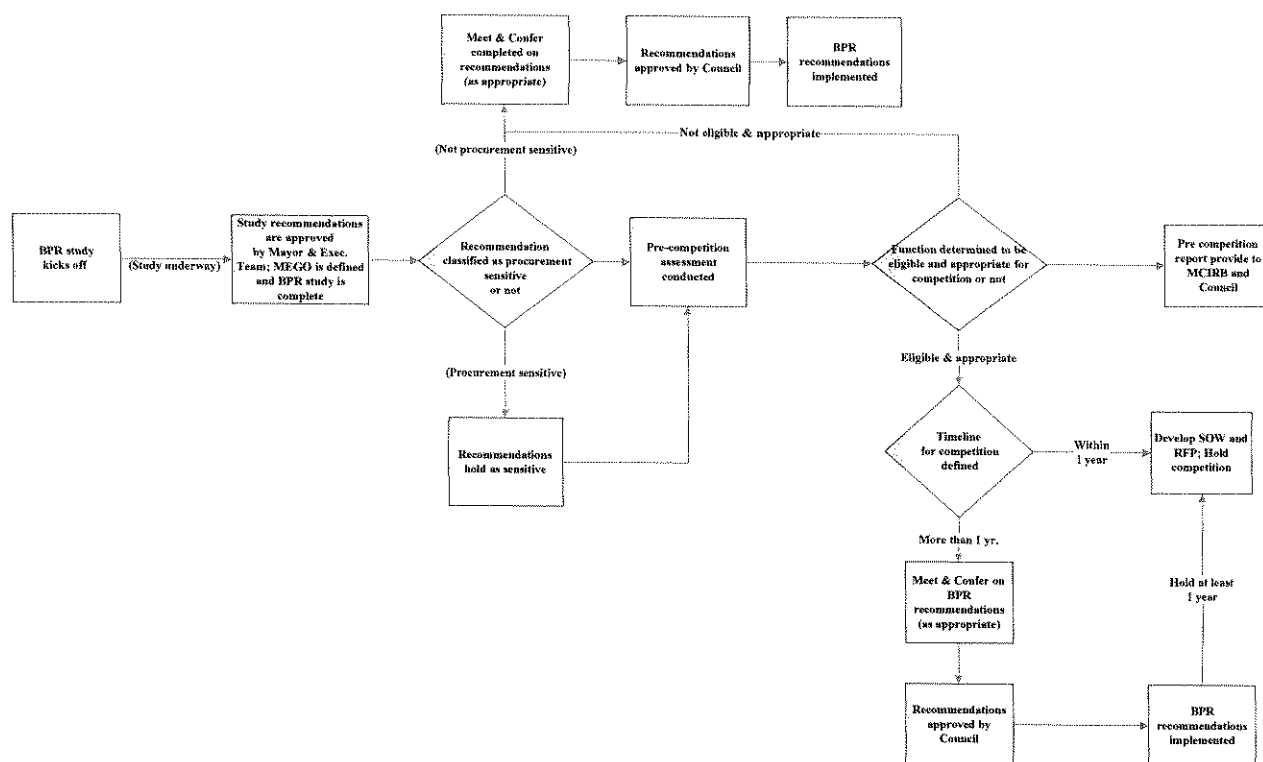
To support our BPR studies as well as our managed competition efforts, the Business Office is creating a functional breakdown of City services. This information is intended to assist in developing future BPR schedules and in grouping functions for managed competition studies.

Process Clarification: Moving from BPR Study Completion to Implementation or Competition

A BPR study is completed when the team has written its report, briefed the City's Executive Team, and had recommendations approved by the Executive Team. In some instances, select efficiencies identified through BPR studies have been withheld from implementation to allow the employee teams to protect their competitive advantage in managed competitions. In other words, to allow their most efficient state to be considered procurement sensitive until such time as it is proposed upon through managed competition. To appropriately balance competitive advantage with the need to realize efficiencies on behalf of the City, going forward, all BPR efficiencies will be slated to begin moving toward implementation no later than a year following the completion of the study.

Meet & Confer is initiated in time to allow for it to be completed in advance of requesting Council approval of recommendations. (In order to balance workload for the City's Labor Relations office and for labor organizations, Meet & Confer may commence in advance of, during, or after a pre-competition assessment, the objective being to have

completed Meet & Confer before requesting Council approval for implementation.) Council approval of recommendations is requested after Meet & Confer is completed. The overall flow of a BPR study moving into managed competition is shown below.



BPRs are not implemented until they are approved by Council after any issues that require Meet & Confer are discussed with the affected bargaining unit. Upon completion, BPR recommendations move forward through Meet & Confer and Council approval and to implementation or move into pre-competition assessment. The delineation of which recommendations go which path is shown below.

FUNCTION OR KEY BPR ELEMENTS	NEXT STEP
Functions that must be performed by firefighters, lifeguards, and/or police officers	BPR recommendations undergo Meet & Confer (as appropriate), are approved by Council and implemented.
BPR recommendations that do not provide an employee advantage were the function to proceed to managed competition (e.g., elimination of non-core duties)	BPR recommendations undergo Meet & Confer (as appropriate), are approved by Council and implemented.
BPR recommendations provide an employee advantage were the function to proceed to managed competition (e.g., process streamlining methods)	Recommendations are held for no more than one (1) year to allow for a competition determination to be made. Prior to implementation, Meet & Confer is concluded and Council approval is received.

Process for Moving from BPR Study Completion to Pre-competition Assessment

Once a function within a department has completed BPR, it will be evaluated through a pre-competition assessment to determine if it is eligible and appropriate for competitive sourcing.

Using the information gathered through the pre-competition assessment and documented in a pre-competition assessment report, the Mayor will decide if a function should be competitively procured. The decision will be based on several factors described in the Managed Competition Guide, including whether: (1) a function is inherently governmental, (2) a competitive market for the function exists, (3) significant legal limitations exists, (4) more efficiencies may be gained by competitively procuring, (5) the function is too complex to be carried-out by an outside entity, thus making the likelihood of failure too great, and/or (6) failure of performing the function would be too detrimental to the public welfare.

As part of the pre-competition process, key data will be collected and functions will be evaluated to determine if they should be competed independently or in conjunction with other functions.

Process for Moving from Pre-competition Assessment to Competition

If the decision is to move forward to the competitive procurement of a function or set of functions, an acquisition plan and Statement of Work (SOW) will be developed. The SOW defines the services and tasks to be performed, and forms the basis of the Request for Proposals (RFP). Once developed, the RFP will be released to the City employee team as well as outside vendors. In response to the RFP, an employee team will use their MEGO as the foundation for developing the in-house technical and cost proposals. The team may be assisted by a consultant, the Business Office, and other City stakeholders.

Once proposals are received, they will be evaluated in a manner that ensures that a level playing field will protect both City employees and outside vendors. The Managed Competition Independent Review Board (MCIRB) is a critical element to ensuring that the evaluation is fair and level.

Upon selection, the service provider, whether in-house or independent contractor, will have six (6) months to transition to providing the services in accordance with their proposal. During the course of the contract, which per the City' Charter cannot exceed five years, the performance of the provider will be monitored on a monthly basis and audited after the end of each annual performance period.

PRE-COMPETITION RESULT	NEXT STEP
Eligible for competition and proceeding to competition	Competitive sourcing commences. At competition conclusion, either: <ul style="list-style-type: none"> ▪ City forces are recommended for award, Meet & Confer is completed on the MEO recommendations, Council approval of the recommendations is secured, and MEO is implemented; or ▪ External contractors are recommended for award, Council approves contract, Meet & Confer is completed, and the transition commences.
Eligible and appropriate for competition and proceeding to competition in a limited fashion (e.g., function as it is provided in the Northern-half of the City)	Competitive sourcing commences. At competition conclusion, either: <ul style="list-style-type: none"> ▪ City forces are recommended for award, Meet & Confer is completed on the MEO recommendations, Council approval of the recommendations is secured, and MEO

	<p>is implemented—simultaneous, BPR recommendations undergo Meet & Confer (as appropriate), are approved by Council, and MEGO is implemented in non-affected regions; or</p> <ul style="list-style-type: none"> ▪ External contractors are recommended for award, Council approves contract, Meet & Confer is completed, and the transition commences; simultaneous, BPR recommendations undergo Meet & Confer (as appropriate), are approved by Council and are implemented in non-affected regions.
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Process for Completing Pre-competition Assessment and Not Going Directly to Competition

Functions can be deemed eligible and appropriate for competitive sourcing and yet not proceed directly to competition and/or a portion can be held-back from competition. The instances in which this would happen are detailed below.

PRE-COMPETITION RESULT	NEXT STEP
Not eligible and/or appropriate for competition (e.g., function is deemed to be inherently governmental)	BPR recommendations undergo Meet & Confer (as appropriate), are approved by Council and implemented. Eligibility and appropriateness for competition will not be reevaluated for five (5) years.
Eligible and appropriate for competition and in the queue for competition	Presuming the queue will not be more than one (1) year, function holds for competition. If queue is expected to be more than one (1) year, BPR recommendations undergo Meet & Confer (as appropriate), are approved by Council, implemented and “held” at the Most Efficient Government state for at least one (1) year prior to competitive sourcing.

Next Steps

As appropriate, the BPR and Managed Competition Guides will be updated to ensure that process language is clarified in the way that it has been above.

FISCAL CONSIDERATIONS:

Although the BPR program continues to have a positive impact on the City’s financial situation, at this juncture there are no fiscal considerations.

PREVIOUS COUNCIL and/or COMMITTEE ACTION:

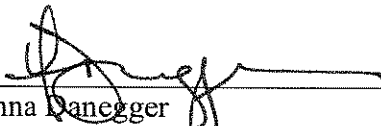
Recommendations from individual BPR studies are brought forward for Council review and approval in advance of their implementation.

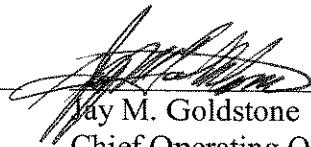
COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

As appropriate, community members have participated in BPR efforts. In addition, the managed competition program was initiated with the citizens of the City voting to approve Proposition C in November 2006. As we have worked to establish the managed competition program, staff has spent considerable time working with the labor unions (AFSCME Local 127, POA, IAFF Local 145, and MEA) to receive input on program plans. We have established a Labor Advisory Committee to facilitate continued work with the unions on managed competition.

KEY STAKEHOLDERS AND PROJECTED IMPACTS:

Key stakeholders in this process are City employees, the City's recognized labor unions and the residents and visitors of the City of San Diego.



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